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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

In the Matter of )  
 )  
Amendments to Uniform System ) CC Docket No. 97-212  
of Accounts for Interconnection )  
 )

**REPLY COMMENTS OF THE  
UNITED STATES TELEPHONE ASSOCIATION**

The United States Telephone Association ("USTA") hereby submits comments in the above-captioned proceeding<sup>1</sup> as the principal trade association of the incumbent local exchange carrier ("ILEC") industry. USTA members will be directly affected by the Commission's actions in this docket.

**I. INTRODUCTION**

In this proceeding, new rules for accounting treatment of transactions related to interconnection, unbundled network elements ("UNEs"), and resale in the Commission's Part 32, Uniform System of Accounts and Financial Reporting Requirements for Class A and Class B Telephone Companies are proposed. According to the Commission, it seeks

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<sup>1</sup> *In the Matter of Amendments to Uniform System of Accounts for Interconnection, Notice of Proposed Rulemaking ("NPRM"), CC Docket No. 97-212, FCC 97-355, released October 7, 1997. USTA incorporates by reference its Comments filed December 10, 1997 and Reply Comments filed January 26, 1998 in the Commission's proceeding In the Matter of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Notice Of Proposed Rulemaking, CC Docket No. 80-286, FCC 97-354, released October 7, 1997.*

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“uniformity in reporting to facilitate comparisons among ILECs and to calculate and track investments and performance related to these services.”<sup>2</sup>

The Telecommunications Act of 1996<sup>3</sup> was enacted to establish “a pro-competitive, deregulatory national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans ...”<sup>4</sup> Part 32 accounts are used for a single purpose, namely to record telecommunications revenues and expenses, and should not be misused for any other purpose. As USTA stated in its Comments, adoption of the Commission’s proposal for new Part 32 accounts to record expenses and revenues associated with interconnection, unbundled network elements and resale is not needed given that existing accounts can be used to record expenses and revenues.<sup>5</sup> Consistent with Congressional support for deregulation, the Commission should not enact unnecessary regulations.

No commenting party or the NPRM itself has demonstrated why the existing Part 32 account structure is insufficient to achieve the Commission’s stated goals. It comes as no surprise that those parties who wholly endorse the Commission’s proposal to add new accounts are primarily ILEC competitors (“CLECs”) and/or carriers who currently are not

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<sup>2</sup> NPRM at 5, ¶5

<sup>3</sup> *Telecommunications Act of 1996*, Pub. L. No. 104-104, 110 Stat. 56, *codified* at 47 U.S.C. §§151 et seq.

<sup>4</sup> *Telecommunications Act of 1996*, Joint Explanatory Statement of the Conference Committee, Senate Report 104-230 at 113.

<sup>5</sup> USTA at 2 *citing* Attachment 1, Letter from USTA’s Porter Childers to the Commission’s Ken Ackerman (December 19, 1996).

subject to Part 32 accounting.<sup>6</sup> These parties, however, have failed to justify how the Commission's proposal would advance the stated goals<sup>7</sup> in this proceeding. It is apparent, however, that the sole intent of CLECs in supporting the Commission's proposal is to competitively disadvantage ILECs.<sup>8</sup>

ILECs, on the other hand, have demonstrated that the addition of new accounts would be inconsistent with the basic tenets of the Commission's accounting system.<sup>9</sup> As the Commission acknowledges in the NPRM,<sup>10</sup> its regulations specify that the Uniform System of Accounts "should not reflect an *a priori* allocation of revenues, investments or expenses to products or services, jurisdictions or organizational structures."<sup>11</sup> Instead, "[t]hese accounts ... are intended to reflect a functional and technological view of the telecommunications industry"<sup>12</sup> and the "account structure has been designed to remain stable as reporting requirements change as set forth in 47 C.F.R. §32.2(f). The regulations further recognize that "certain recurring functions (natural groupings) do take

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<sup>6</sup> See *MCI* at 4-5; *GSA* at 6; *GCI* at 4; *WUTC Staff* at 1; *Cox Communications* at 5; *Ohio PUC* at 13.

<sup>7</sup> *NPRM* at ¶6.

<sup>8</sup> In its Comments Cox states that the Commission should adopt separate accounts for interconnection and UNEs so that "... interested third parties [can] monitor the qualitative development of local competition." *Cox* at 4.

<sup>9</sup> See *Ameritech* at 7; *Bell Atlantic* at 5; *GTE* at 3.

<sup>10</sup> *NPRM* at 4.

<sup>11</sup> 47 C.F.R. §32.2(c)

<sup>12</sup> 47 C.F.R. §32.2(e).

place in the course of providing products and services to customers. These accounts reflect, to the extent feasible, those functions.”<sup>13</sup>

## **II. COMMENTS FAIL TO DEMONSTRATE THE INADEQUACY OF USING EXISTING PART 32 ACCOUNTS TO ACHIEVE THE COMMISSION’S GOALS**

The Commission specified four goals in proposing new Part 32 accounts:

(1) ILEC uniform reporting; (2) Commission monitoring of competition and deployment of advanced telecommunications; (3) no cross-subsidy between regulated and competitive activities; and (4) assist Commission in evaluation of forbearance petitions by making information accessible and verifiable.<sup>14</sup>

Cox Communications states that the existing USOA is deficient and new accounts are needed to “police” ILEC charges.<sup>15</sup> Similarly, MCI<sup>16</sup> and GCI<sup>17</sup> maintain that new accounts are necessary for uniformity without which the comparisons and tracking of ILEC performance and investments would be difficult. GSA supports the NPRM’s proposals by reiterating the Commission’s goals, but fails to add anything new to the

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<sup>13</sup> 47 C.F.R. §32.2(b).

<sup>14</sup> *NPRM* at 6.

<sup>15</sup> *Cox* at 3.

<sup>16</sup> *MCI* at 2.

<sup>17</sup> *GCI* at 2.

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record.<sup>18</sup> While NECA supports establishment of new accounts, NECA is silent as to why new accounts are necessary and, more importantly, why the existing Part 32 account structure is insufficient.<sup>19</sup>

The Commission's first goal of uniformity in ILEC reporting of expenses and revenues associated with the implementation of local competition is attained by the LECs use of the same account to record the same activity. ILEC uniformity can be clearly achieved by the Commission ordering the uniform use by all ILECs of Account 5240 for unbundled network element, transportation and termination revenue and Account 6540 for the purchase of interconnection services for resale.<sup>20</sup> In fact, ILECs have already begun to uniformly account for interconnection revenue and costs.<sup>21</sup>

Concerning the Commission's second and fourth goal (monitoring of local competition and decision making concerning forbearance), information already exists that will facilitate measurable assessments of local competition.<sup>22</sup> The Commission,

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<sup>18</sup> *GSA* at 6.

<sup>19</sup> *NECA* at 2.

<sup>20</sup> *See USTA* at 7-9; *Ameritech* at 7-8; *Bell Atlantic* at 6-10; *BellSouth* at 3-4; *Cincinnati Bell* at 3; *SBC* at 4-6 and 20-22; *GTE* at 2-4.

<sup>21</sup> *See Bell Atlantic* at 6; *BellSouth* at 3; *SBC* at 5; *WUTC Staff* at 4.

<sup>22</sup> *See Ameritech* at 4 (tabulating the number of competitive certifications); *Bell Atlantic* at 6 (use of existing functional accounts will provide access to data the Commission would obtain through separate accounts); *GTE* at 8-9 (the number of certified CLECs in each state; *SBC* at 18 (loop and subscriber count used to assess impact of competition).

however, can still achieve this objective within the existing Part 32 account structure through the establishment of subsidiary records. This approach is consistent with the Commission's Part 32 rules which provide for subsidiary records to be used in order to facilitate reporting and to provide information for examination by the Commission or its representatives.<sup>23</sup>

As to the Commission's third objective, accounts in and of themselves cannot insure against cross subsidy. The Commission's third goal of preventing cross-subsidy is misplaced in the context of Part 32.<sup>24</sup>

### **III. CLAIMS THAT ILECS WOULD REAP REVENUE WINDFALLS WITHOUT NEW PART 32 ACCOUNTS IS UNSUPPORTED**

MCI's assertion that "Under the Commission's proposal the ILECs would recover TELRIC plus embedded cost"<sup>25</sup> is simply incorrect. State Commissions have already required ILECs to perform studies to support unbundled network element pricing. These cost studies become the basis from which revenues will be generated. It is each state specific study, not the addition of TELRIC plus embedded costs, that determines the price the ILEC can charge for UNEs which comprises the future revenue that ILECs earn to recover the study costs of the UNE investment. As evidenced by the lack of support

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<sup>23</sup> See 47 CFR §32.12(c).

<sup>24</sup> See *Ameritech* at 4-5; *Bell Atlantic* at 4; *BellSouth* at 12; *SBC* at 10.

<sup>25</sup> *MCI* at 3.

for the Commission's proposal,<sup>26</sup> new cost studies or subsidiary record categories for recording of the portion of the ILEC's own investment used to provide UNEs are not needed. Thus, MCI's claim bears no relationship to scope of this proceeding.

#### IV. CONCLUSION

The current Part 32 accounting regulations are sufficient to meet the Commission's goals and objectives and will accurately account for revenues and expenses associated with implementation of local competition. There is no regulatory need for the Commission to impose new Part 32 accounts to record ILEC costs and revenues for interconnection, or for the Commission to require ILECs to perform fully distributed cost studies using the regulated books of account for interconnection rates which are based on forward-looking costs. The 1996 Act, and ongoing Commission proceedings, support refraining from enacting unnecessary regulations. USTA urges the Commission to resist unsupportable arguments in favor of expanding Part 32 accounting requirements, and instead make full use of existing regulations to achieve the Commission's goals.

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<sup>26</sup> Only NECA provided comments in support, but does not provide a rationale for its position. *NECA* at 3; *cf.* opposing comments *USTA* at 9-10; *GCI* at 5; *Puerto Rico* at 3-6; *United Utilities* at 3; *SBC* at 12; *BellSouth* at 8; *MCI* at 3; *Ameritech* at 8-10; *GTE* at 6-7; *Bell Atlantic* at 2-4.

Respectfully submitted,

**UNITED STATES TELEPHONE ASSOCIATION**

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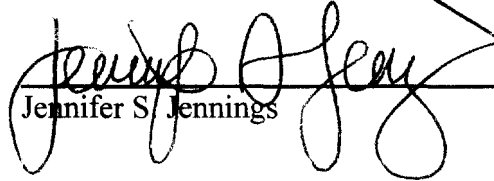
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CERTIFICATE OF SERVICE

I, Jennifer Jennings, do certify that copies of the foregoing Comments of the United States Telephone Association were either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the persons on the attached service list.

  
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